



# U.S.-Korea Trade Agreement What's At Stake for Wheat?

**December 2010**

The U.S.-Korea Trade Agreement (KORUS agreement) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's \$1 trillion economy and 49 million consumers. Under the agreement, nearly two-thirds of current U.S. agricultural exports will become duty free immediately and lower tariffs will benefit both U.S. suppliers and Korean consumers.

The KORUS agreement will help the United States compete against Korea's other major agriculture suppliers and keep the United States on a level playing field with Korea's current and future free trade partners. Korea finalized its trade agreement with the European Union in October 2009 and presently has trade agreements in place with Chile, India, and the 10-country ASEAN group. In addition, the country is negotiating new trade agreements with Canada, Australia, New Zealand, and China. Most of these countries are U.S. competitors.

If the United States fails to implement the KORUS agreement, it will likely see its share of Korea's total agricultural imports, which stood at nearly 30 percent in 2009, steadily erode.

#### *With the Agreement...*

An unlimited amount of U.S. wheat for milling can enter Korea duty free upon implementation of the agreement. Korea's imports of U.S. wheat will no longer be subject to Korea's 1.8-percent World Trade Organization (WTO) tariff or the 1-percent tariff under its autonomous tariff-rate quota (TRQ). Therefore, the agreement may provide some advantage. Although this tariff differential may be small, it would provide a small tariff advantage when competing against other wheat suppliers.

#### *The Trade Situation...*

In 2009, Korea was the fifth largest market for U.S. wheat. From 2007 through 2009, U.S. suppliers shipped an annual average of 1.2 million metric tons of wheat valued at \$377 million. The U.S. share of Korea's import market was 33 percent in 2009, comprised of only milling quality wheat. U.S. wheat faces strong competition from Ukraine and Australia.

#### *The Current Market Access Situation...*

U.S. wheat faces TRQs of 2.4 million tons for milling-quality wheat; the applied in-quota tariff is 1.0 percent. Almost all wheat shipped by the United States to Korea is non-durum wheat, for which Korea has a WTO bound tariff of 1.8 percent.